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Research Report

The Korean Foreign Worker Admission System

KDI Policy Forum, No. 255

Provided in Cooperation with:

Korea Development Institute (KDI), Sejong

Suggested Citation: Kim, Yeon Soo (2014) : The Korean Foreign Worker Admission System, KDI Policy Forum, No. 255, Korea Development Institute (KDI), Sejong, <https://doi.org/10.22740/kdi.forum.e.2014.255>

This Version is available at:

<https://hdl.handle.net/10419/200900>

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KDI Policy Forum Vol. 255 (eng.), June 20, 2014

Subscriptions Publication Officer(82-44-550-4346, kss81@kdi.re.kr)

The Korean Foreign Worker Admission System

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- **The current foreign worker admission system divides workers into the two categories of “professional” and “nonprofessional” workers, and is thus not very successful at resolving labor shortages at varying skill levels.**
 - If the unskilled worker requires significant job training due to his lack of skills, it might reduce his productivity and generate inefficiencies compared to hiring a worker who already has the required skills.
 - The “professional” category includes jobs with widely varying duties and skill levels, thereby making it difficult to implement differentiated policies among them.
 - There has been a lack of differentiation by skill level and labor shortage.
- **Admission of nonprofessional foreign workers is subject to an annual quota which is determined based on fragmented data on labor shortage and economic conditions.**
 - Other indicators that could help assessing the labor market situation as a whole, e.g. employment and wage growth rates, are not being taken into account.
 - Admission of foreign workers is linked with labor shortage which is currently assessed primarily based on employer-reported statistics.

* This Policy Forum is a summary of Yeonsoo Kim, *Labor Market Policy for Foreigners and Migrants*, Policy Research Series 2012-12, KDI.

- **Reform towards a system that differentiates foreign workers by skill level and determines eligibility based thereon should be of high priority.**
 - Employment of nonprofessional foreign workers should be strictly based on demand.
 - The “professional” category of foreign workers, which currently includes a wide range of highly skilled professionals as well as skilled workers, needs to be divided into subcategories according to occupation. At the same time, priority should be given to those in occupations that are hard to fill in the short-run and the highly skilled.
 - To this end, consideration should be given to the establishment of an integrated migration committee that can oversee and coordinate various foreign worker related policies and determine the need for foreign workers based on thorough labor market reviews.
- **Labor market tests should be implemented more widely so as to prevent the deterioration of working conditions of native workers.**
 - The current admissions system needs to be divided by skill level and labor market tests need to be implemented more rigorously as the crowd-out of native workers may occur as the economy shifts more towards the service industry and as the economically active population currently classified under professional visas becomes more highly educated.
 - Labor market tests can be strengthened by requiring employers to indicate on the job advertisement specific working conditions such as wages.
 - One way to check whether employers participating in the employment permit system are displacing native workers is to link the foreign worker database and the employment insurance database or to perform verification during regular supervisory visits by government officials.

1. The Foreign Worker Admission System: Current Status and Issues

- The foreign worker policy in Korea classifies immigrant labor into professional and nonprofessional workers, where the difference lies in employment activities permitted and the employment process
 - Of the approximately 530,000 foreign workers currently staying in Korea, roughly 470,000 entered through the Employment Permit System.
 - Under the Employment Permit System, workplaces experiencing labor shortage can hire foreign workers provided they satisfy certain conditions. The EPS is subject to an annual quota each year.¹

¹ To employ a foreign worker through the Employment Permit System, the business must belong to a restricted

Table 1: Foreign Workers by Visa Type

Category	Limits on Employment Activity?	Visa Types
Professional	Yes, with possibility for permanent residency	Professor(E-1), Foreign language instructor(E-2), Research(E-3), Technology Transfer(E-4), Special profession(E-5), Arts and performances(E-6), Specially designated activities(E-7)
Nonprofessional	Yes	Nonprofessional employment(E-9), Vessel crew(E-10), Working holiday(H-1), Working visit(H-2)

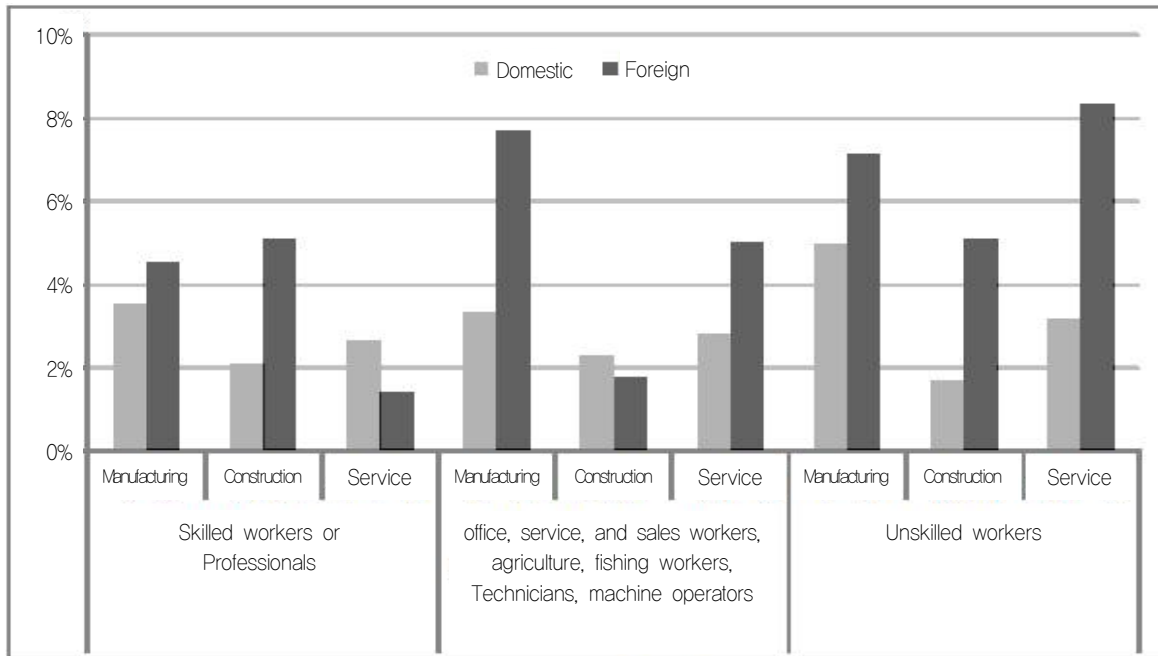
Notes: Some visas, such as F-2(residency), F-4(overseas Korean), F-5(permanent residency) and F-6(spouse visa), are not primarily work visas but permit work.

- Employers that want to hire foreign workers must pass a so-called labor market test, in which they must prove their efforts to hire a domestic worker.
- Nonprofessional foreign workers are not permitted to change workplaces and are required to leave the country once their permitted period of stay expires.
- In contrast, professional workers face little difficulties obtaining a visa as long as they meet the outlined eligibility criteria and obtain an employment contract. They may also be accompanied by family members as well as stay for an extended period of time.
 - Professional workers are exempt from labor market tests and may change workplaces upon notification to authorities.
 - The current foreign worker admission system divides foreign labor into two categories of “professional” and “nonprofessional” workers, and is thereby inadequate to meet labor shortages at varying skill levels(see Figure 1).
 - If the worker’s duties require further training, his productivity will be lower during that period, which might lead to inefficiencies compared to hiring a worker who already possesses the required skills.
- The current system in which nonprofessional foreign workers undergo a certain amount of training leads to frequent arguments on the employers’ part to extend the terms of stay for nonprofessional workers.²

list of industries and proof must be shown that sufficient efforts were made to hire a domestic worker but without success.

² Many nonprofessional workers who enter through the Employment Permit System arrive without special qualifications or technical skills and as such, are trained so they can work as craft workers or plant/machine operators and assemblers(see Figure 2).

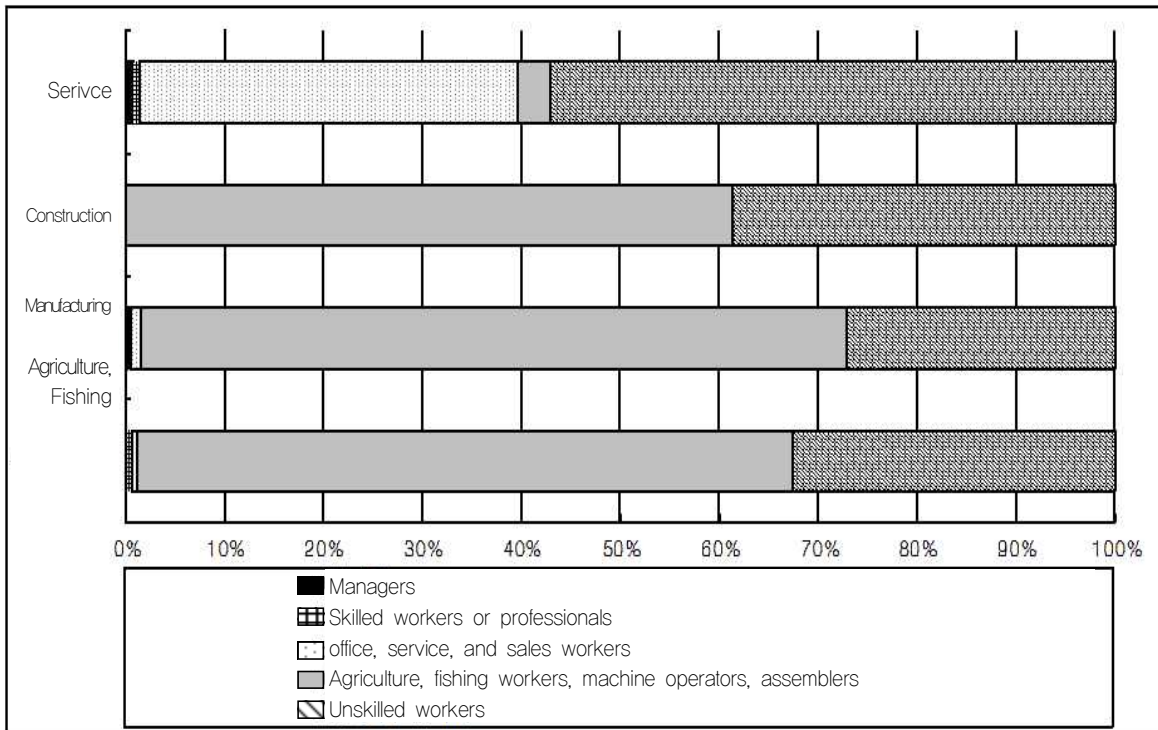
[Figure 1] Vacancy Rates for Domestic and Foreign Workers, by Industry and Skill Level



Notes: 1) Vacancy rate is calculated as $[\text{Number of vacancies}/(\text{Number of vacancies} + \text{Number of employed})] \times 100$.
 2) "Managers" category excluded due to the small sample size.

Source: Ministry of Employment and Labor, "Occupational Labor Force Survey at Establishments," July~December 2011.

[Figure 2] Foreign Workers under the Employment Permit System, by Industry and Skill Level



Source: Based on Ministry of Employment and Labor, *the Foreign Workforce Labor Conditions Survey*, 2011.

- The “professional” worker category encompasses occupations ranging from high skill researchers to professional chefs and welders, rendering differentiated policies difficult.
 - While workers in these occupations vary widely in field and skill levels and thus should not all be treated as workers of high priority, differentiation by skill level and severity of labor shortage is absent.
 - Despite the possibility that there might exist competition with domestic workers in relatively lower–skill occupations, labor market tests as a means to prevent this are not applied to any of the “professional” foreign workers.

- Nonprofessional foreign workers are subject to an annual quota, which is determined based on fragmented information on labor shortage and economic conditions and thus not adequate.
 - Quotas are primarily influenced by demand–side considerations, rather than comprehensive evaluations of labor supply, leading to a growing number of foreign workers.
 - While there are various labor market indicators that could be used to determine labor shortage, they are not being given sufficient consideration.
 - The current system needs to be improved as it determines the quota as a function of labor shortages, which in turn are assessed primarily based on vacancy rates.
 - Generally, vacancy rates are higher for jobs with high turnover rates, and thus labor shortage needs to be gauged based on a variety of labor market indicators and not just on employer–reported surveys.
 - There is no rationale for surveying the demand for domestic and foreign workers separately, and the fact that the demand for foreign workers is reported to be greater might reflect a specific demand or preference for them owing to low wages and their inability to change workplaces(see Figure 1).

- Institutional measures to gauge the demand for foreign workers, such as labor market tests, the prohibition of the displacement of domestic workers and discrimination against foreign workers, are already legally in place; however, enforcement has been limited.

- Labor market tests have been shown to be ineffective and in need of enforcement. Recent researches(Kim[2009]; Yoo and Lee[2009]; Kim and Jeong [2012]) suggests that the increase in foreign workers at establishment-level is partly due to the displacement of domestic workers.
- According to Article 25 of the Enforcement Decree of the Act on Foreign Workers' Employment, etc., employers who displace domestic workers within 6 months from the date of issuance of the employment permit or the starting date of the employment contract of a foreign worker may be prohibited to hire foreign workers for 3 years. However, a monitoring system is nonexistent.
- While Article 22 of the same law prohibits discrimination against foreign workers, enforcement(including prohibition against wage discrimination) is not present.

2. Measures for Improvement

- Consideration should be given towards a more refined system that determines admission and scope of employment activity by skill level.
 - The demand for nonprofessional foreign workers should be thoroughly determined by means of labor market tests and quotas.
 - The professional foreign worker category, which includes highly skilled workers with high levels of technical knowledge and qualifications, as well as skilled workers, should be refined by skill level and the admission of highly skilled workers as well as foreign workers in occupations that are hard to fill in the short run should be prioritized.
 - As Korea's labor force has already begun to shrink, sensible use of foreign labor is advised.
 - The admission of professional workers should be administered flexibly based on frequent assessments on labor shortages.
 - To this end, the establishment of a permanent, integrated committee should be considered to coordinate among various relevant government agencies and to design policy directions(Yoo Gyeongjoon and Kim Yeonsoo[2011]).
 - Currently, there are three committees under the Prime Minister's Office that

were established under overlapping mandates. They could be integrated into a single committee that is in charge of policy planning and coordination.

- Measures are needed to strengthen the review process of the Foreign Workforce Policy Committee, which oversees matters related to low-skilled workers.
 - A working-level committee which consists of representatives of employees, employers, public interest groups and the government is currently in place, but it is failing to carry out its mandate.
 - Committee members could be specialists that examine labor shortage by industry and occupation, weigh the relative costs and benefits of various measures(e.g., support for technical innovation) to deal with it, and ultimately determine, in relation to other labor market policies, whether foreign workers are needed.
 - To examine labor shortage and assess the current labor market situation, various labor market indicators need to be considered such as employment growth rate by industry and occupation, wage growth rate, vacancy rates and unemployment rates.
 - A well-known, successful example of such a committee is the UK Migration Advisory Committee.
 - MAC is comprised of five economists hired through a process of open competition, a representative from the UK Commission on Employment and Skills, and a senior official from the Border Agency at the Home Office. Its purpose is to provide advice on whether labor shortage exists that can be sensibly filled with immigrants.
 - More specifically, the committee advises the government on whether there are “skills shortages” that can be “sensibly” filled with immigrants and creates a shortage occupation list based on their assessment.
 - To create the list, the committee conducts in-depth analysis using various quantitative labor market indicators and consults with relevant parties such as employer and employee representatives.³

³ Indicators used by MAC include vacancy rates(overall and by occupation), hourly wage growth rate, employment growth rate, changes in unemployment rate by occupation, changes in hours worked by full-time workers, and the duration of vacancies(MAC[2010]).

- To prevent the displacement of domestic workers following the employment of foreign, labor market tests need to be more strictly enforced and applied to a broader range of foreign workers. A monitoring system should be created as well.
- Labor market tests in developed countries are generally performed on semiprofessional workers as well, whereas workers in occupations with a severe labor shortage are exempt.
 - Labor market tests tend to be progressively stricter the lower the required skill level is. The contents of the job advertisement, such as working conditions, are also specified per regulation.
 - Particularly for wages, there are guidelines for a minimum salary or the average salary for a respective occupation.⁴
 - Employers are also required to prove that they have made various substantial efforts to hire domestic workers.⁵
- As substitution might occur within occupations currently classified in the professional category, especially as the economy shifts towards service-oriented industries and the average economically active person becomes more highly educated, the foreign worker admission system needs to become more refined and labor market tests applied more broadly.
 - The E-7 visa for specially designated activities is issued for 78 occupations including travel product developer, hotel receptionist, and duty-free sales associate, and as such requires close examination.
 - International students are allowed to stay on a job search visa(D-2) and once they obtain a job, can switch to an E-7 visa without a labor market test. This practice needs to be reconsidered.
- The current labor market test could be improved by requiring employers to specify in the advertisement working conditions including wages and to pay wages reasonably within the occupational average.
 - Stricter enforcement of labor market tests might increase administrative costs and bureaucracy, but may effectively increase job placement rates of domestic workers.

⁴ For example, in the US there is a separate minimum wage for nonimmigrant foreign workers, while Canada and Australia specify that the market wage for the same occupation in the same region should be paid.

⁵ Such efforts might include posting of job advertisements, the use of hiring agencies, operation of training programs to fill labor shortages, and consultation with industry and government counterparts.

- Institutional tools are needed to verify whether domestic workers are displaced following the employment of nonprofessional foreign workers that were admitted through the Employment Permit System.
 - Possible monitoring tools include verification through the linking of the foreign workforce database and the employment insurance database, through regular supervisory visits or through visits to a number of randomly selected workplaces that participate in the Employment Permit System.

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〈Appendix〉 Migration programs and labor market tests in selected countries

Country	Program	Permanent (P)	Form of Labor Market Testing
		Temporary (T)	
Australia	Professionals and Other Skilled Migrants	T, P	Point system for mostly highly skilled workers who may enter the country without an employment contract if occupation is listed on Skilled Occupation Lists(SOLs).
	Employer–Sponsored Workers–Labour Agreements	T, P	For workers in skilled jobs that are not on the Consolidated Sponsored Occupation List(CSOL). Must be paid market wages. Suitable for employers that make efforts to hire and train domestic workers and that seek skilled foreign workers. Labor market test required(advertisement for 4~8 weeks in at least 4 different places).
	Employer–Sponsored Workers–Labour Agreements	T	Program for specialists in CSOL jobs. Labor market testing requirements apply(advertisement in four or more places for four to eight weeks). Must advertise market wages.
Canada	Federal Skilled Workers	P	Program for highly skilled workers. May enter country without employment contract. Exempt from labor market test.
	Temporary Foreign Worker Program	T	Employer must submit application to Service Canada and receive Labor Market Opinion before hiring foreign worker. The latter depends on whether the employer offers wages and working conditions similar to those of domestic workers in the same occupation, whether he has made efforts to hire or train domestic workers for the position, whether he is hiring a foreign worker for a shortage occupation and whether the foreign worker would bring new knowledge and technology to Canada. Issuance of Employment permit is subject to approval of Citizenship and Immigration Canada. Job ad must be posted for at least 14 days and detailed guidelines are provided on the contents(duties, wages, type of contract, etc.) and methods of the ad as well as on occupational wages.
Denmark	Green Card	P	Workers may enter the country without an employment contract through a point system for highly skilled workers.
	Danish Pay Limit Scheme	T, P	Employment permit is granted when employment contract paying a minimum of DKK 375,000(approximately US\$80,000) is signed. Some occupations such as physicians require approval from relevant administrative authorities. A four–year extension is available after the initial three years of employment and residency. Workers who meet certain requirements may apply for permanent residency after 5 years.
	Positive List Work Permit Scheme	T, P	The Positive List indicates jobs where a labor shortage is present. Except in the cases of the European Economic Area(EEA) and Switzerland, foreign workers may only be employed in these jobs. No labor market testing requirements. Salary and employment conditions must conform to Danish standards. A four–year extension is available after at least three years of employment and residence approval. Workers who meet the requirements may apply for permanent residence after five years.
France	Work Permit (Introduction)	T, P	Typically available only to highly skilled workers. Very difficult to obtain for individuals from outside the EU. Salary, education level and possession of employment contract are critical for obtaining the visa. Job must be advertised for 3 weeks. Labor market test not required if the offered monthly wage exceeds EUR 3,600.

〈Appendix〉 cont'd.

Country	Program	Permanent (P)	Form of Labor Market Testing
		Temporary (T)	
Ireland	Green Card	T, P	Program for workers in occupations that pay on average over EUR 30,000 per year and suffer from severe labor shortage, such as IT, education, public health and finance. Exempt from labor market test but not granted when the share of foreign employees exceeds 50% at the company.
	Work Permit	T, P	Applies only to occupations with an average salary of over EUR 30,000, with few exceptions. A "Negative List" includes the list of occupations for which a work permit will not be granted. Job must be advertised on FAS/EURES for at least 8 weeks and in local or national newspapers for at least 6 days.
New Zealand	Skilled Migrant	P	Foreign workers may enter the country without a contract through a point system for highly skilled workers.
	Talent Work to Residence (Accredited Employer)	T, P	System for workplaces that regularly employ foreign workers. Businesses must receive approval from the Department of Labour after demonstrating financial soundness and ability to manage human resources. Foreign workers must be under 55 and satisfy minimum salary and working hour requirements, with an employment contract period of at least two years. If the particular job does not appear on the labor shortage list, employers must prove, and the Department of Labor confirm, that there are no other qualified domestic workers available.
	Talent Work to Residence (Accredited Employer)	T, P	Program for employers that do not hire foreign workers on a regular basis. Individuals must engage in an occupation that is on the Long Term Skill Shortage List and have received a job offer in order to receive a visa. Contract length must be for a minimum of 2 years of full-time work and minimum salary requirements must be met.
	Essentials Skills Work	T	Foreign workers may be hired for 6 to 12 months after passing the labor market test and obtaining prior approval. In order to pass the labor market test, the employer must prove that he has exerted good-faith efforts to hire a domestic worker (e.g., posting an advertisement, consult with hiring agencies, demonstrate vacancy rates for the industry, implementing training programs to resolve labor shortages) and consult with representatives from the industry and relevant government agencies.
Singapore	Employment Pass	T, P	Program to attract global talent. Exempt from labor market tests.
	S Pass	T, P	Program for professional workers. Exempt from labor market test but occupation must be on labor shortage list.
	Work Permit	T	Program for low-skilled workers. Exempt from labor market test but only available for jobs with labor shortage.
The Netherlands	Work Permit	T, P	Position must be advertised for at least 4~5 weeks. Employer must prove that they made substantial efforts to hire a domestic worker.
UK	Tier 1 (High-Value Migrants)	T, P	Program for highly skilled migrants such as scientists and technicians. No labor market test required.
	Tier 2 (Skilled Workers)	T, P	Program for skilled workers such as nurses and teachers. If occupation is not labor shortage list, labor market test is required (Job advertisement of 28 days).

Source: Adapted from Yeonsoo Kim(2012).